

Message Text

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ACTION EB-11

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NEA-10 AID-20 CEQ-02 CIAE-00 COME-00 DODE-00 EPA-04

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E.O. 11652: N/A

TAGS: ENRG, UK

SUBJECT: FT REPORT ON POSSIBLE FUEL OIL SHORTAGE IN EUROPE:
DIBONA SPEECH AT FT. CONFERENCE ON WORLD ENERGY SUPPLIES.

1. SEPTEMBER 19 FT ARTICLE BY ADRIAN HAMILTON REPORTS EUROPE
COULD RUN SHORT OF FUEL OIL THIS WINTER, PARTIALLY AS RESULT
OF DRAMATICALLY INCREASED US IMPORT REQUIREMENTS. ARTICLE NOTES
DIVISION OF OPINION EXISTS WITHIN OIL INDUSTRY, WITH SOME
COMPANIES POINTING OUT SIMILAR FEARS OVER GASOLINE SUPPLIES
FAILED TO MATERIALIZE, PARTLY BECAUSE OF GREATER REFINERY
PRODUCTION AND PARTLY BECAUSE US PRICE CONTROLS MADE UNECONOMIC
IMPORTANT OF EUROPEAN SUPPLIES. ARTICLE CONCLUDES THAT US FUEL
OIL DIFFICULTIES DO APPEAR MUCH MORE CONSIDERABLE AND LIKELY
TO AFFECT EUROPE.

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2. FT CITES CHARLES DIBONA, DEPUTY DIRECTOR, ENERGY POLICY OFFICE, SPEAKING AT FT CONFERENCE ON WORLD ENERGY SUPPLIES, AS ESTIMATING US SHORTFALL IN HEATING OIL SUPPLIES IN ORDER OF 500,000 TO 600,000 BARRELS A DAY IF NORMAL WEATHER PREVAILS. OF THIS, DIBONA REPORTEDLY SAID ABOUT 100,000 TO 300,000 BARRELS A DAY WOULD PROBABLY BE IMPORTED FROM EUROPE, NOTING THIS FACILITATED BY RECENT RELAXATION OF US SULPHUR RESTRICTIONS AND CHANGES IN PRICE CONTROL MECHANISM TO ALLOW HIGH IMPORT COSTS TO BE PASSED ON TO CONSUMER. FT COMMENTS IT IS OPEN TO DOUBT WHETHER EUROPE COULD SUPPLY THIS REQUIREMENT AND WHETHER US COULD AFFORD TO IMPORT SUCH QUANTITIES.

3. FT NOTES THAT EVEN IF LARGE VOLUMES ARE NOT DIVERTED FROM EUROPE EFFECT OF ALREADY TIGHTENING CRUDE SUPPLIES COULD BE SEVERE, OPEN MARKET PRICES FOR HEATING OILS HAVING ALREADY DOUBLED THIS YEAR TO OVER \$80 A TON IN CONDITION OF SHORT SUPPLY. WHILE UK HAS RELATIVELY LOW DEMAND, AND NOT DEPENDENT ON SPOT MARKET, OTHER EUROPEAN COUNTRIES, IN PARTICULAR GERMANY, WOULD SUFFER. IF US OR EUROPEAN WINTER EXCEPTIONALLY SEVERE, SITUATION COULD BECOME SERIOUS.

4. FT ALSO REPORTED THAT DIBONA NOTABLY TONED DOWN PREVIOUS USG STATEMENTS ON POSSIBLE BOYCOTT OF NATIONALIZED LIBYAN CRUDE AND EMPHASIZED "US APPEARS TO BE IN BEST POSITION OF ALL MAJOR CONSUMING NATIONS TO SURVIVE A PROLONGED CRISIS IN WORLD ENERGY SUPPLY" - A POINT WHICH, FT STATES, HAS OBVIOUS RELEVANCE TO EUROPEAN AND JAPANESE ATTITUDES TOWARD INTERNATIONAL COOPERATION WITH US ON ENERGY MATTERS.
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